Introduced by Assembly Member Saldana

February 22, 2007

An act to amend Sections 1569.145 and 1771 of, and to add Section 1793.62 to, the Health and Safety Code, relating to residential care facilities for the elderly.

LEGISLATIVE COUNSEL'S DIGEST

AB 1022, as introduced, Saldana. Continuing care home service.

Existing law provides for the regulation by the State Department of Social Services of activities relating to continuing care contracts that govern care provided to an elderly resident in a continuing care retirement community for the duration of the resident's life or a term in excess of one year. Existing law designates the contents of a continuing care contract, including the conditions under which a resident of a continuing care retirement community may be voluntarily or involuntarily transferred from his or her designated living unit.

Under existing law, an entity that issues, delivers, or publishes, or as manager or officer or in any other administrative capacity, assists in the issuance, delivery, or publication of any printed matter, oral representation, or advertising material that does not comply with the requirements of the law relating to continuing care contracts is guilty of a misdemeanor.

This bill would exempt a continuing care at home program, as defined, from the licensing provisions applicable to residential care facilities for the elderly, if certain conditions are met, and would set forth certain requirements for, and authorized services of, a continuing care at home program.

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By revising the provisions relating to continuing care provides, this bill would change the definition of an existing crime, thus imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1569.145 of the Health and Safety Code is amended to read:
- 3 1569.145. This chapter shall not apply to any of the following:
 - (a) Any health facility, as defined by Section 1250.
- 5 (b) Any clinic, as defined by Section 1202.

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- (c) Any facility conducted by and for the adherents of any well-recognized church or religious denomination for the purpose of providing facilities for the care or treatment of the sick who depend upon prayer or spiritual means for healing in the practice of the religion of such church or denomination.
- (d) Any house, institution, hotel, congregate housing project for the elderly, or other similar place that is limited to providing one or more of the following: housing, meals, transportation, housekeeping, or recreational and social activities; or that have residents independently accessing supportive services; provided, however, that no resident thereof requires any element of care and supervision or protective supervision as determined by the director. This subdivision shall not include a home or residence that is described in subdivision (f).
- (e) Recovery houses or other similar facilities providing group living arrangements for persons recovering from alcoholism or drug addiction where the facility provides no care or supervision.
- (f) (1) Any arrangement for the care and supervision of a person 24 or persons by a family member.
- 25 (2) Any arrangement for the care and supervision of a person 26 or persons from only one family by a close friend, whose friendship

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preexisted the contact between the provider and the recipient, and both of the following are met:

- (A) The care and supervision is provided in a home or residence chosen by the recipient.
- (B) The arrangement is not of a business nature and occurs only as long as the needs of the recipient for care and supervision are adequately met.
- (g) Any housing for elderly or disabled persons, or both, that is approved and operated pursuant to Section 202 of Public Law 86-372 (12 U.S.C.A. Sec. 1701q), or Section 811 of Public Law 101-625 (42 U.S.C.A. Sec. 8013), or whose mortgage is insured pursuant to Section 236 of Public Law 90-448 (12 U.S.C.A. Sec. 1715z), or that receives mortgage assistance pursuant to Section 221d (3) of Public Law 87-70 (12 U.S.C.A. Sec. 17151), where supportive services are made available to residents at their option, as long as the project owner or operator does not contract for or provide the supportive services. The project owner or operator may coordinate, or help residents gain access to, the supportive services, either directly, or through a service coordinator.
 - (h) Any similar facility determined by the director.
- (i) For purposes of this section, "family member" means any spouse, by marriage or otherwise, child or stepchild, by natural birth or by adoption, parent, brother, sister, half-brother, half-sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, first cousin, or any person denoted by the prefix "grand" or "great," or the spouse of any of these persons.
- (j) A person shall not be exempted from this chapter's licensure requirements if he or she has been appointed as conservator of the person, estate of the person, or both, if the person is receiving care and supervision from the conservator as regulated by this chapter, unless the conservator is otherwise exempted under other provisions of this section.
- (k) Continuing care at home programs as defined in paragraph (10) of subdivision (c) of Section 1771.
- SEC. 2. Section 1771 of the Health and Safety Code is amended to read:
- 1771. Unless the context otherwise requires, the definitions in this section govern the interpretation of this chapter.
- 39 (a) (1) "Affiliate" means any person, corporation, limited 40 liability company, business trust, trust, partnership, unincorporated

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association, or other legal entity that directly or indirectly controls, is controlled by, or is under common control with, a provider or applicant.

- (2) "Affinity group" means a grouping of entities sharing a common interest, philosophy, or connection (e.g., military officers, religion).
- (3) "Annual report" means the report each provider is required to file annually with the department, as described in Section 1790.
- (4) "Applicant" means any entity, or combination of entities, that submits and has pending an application to the department for a permit to accept deposits and a certificate of authority.
- (5) "Assisted living services" includes, but is not limited to, assistance with personal activities of daily living, including dressing, feeding, toileting, bathing, grooming, mobility, and associated tasks, to help provide for and maintain physical and psychosocial comfort.
- (6) "Assisted living unit" means the living area or unit within a continuing care retirement community that is specifically designed to provide ongoing assisted living services.
- (7) "Audited financial statement" means financial statements prepared in accordance with generally accepted accounting principles including the opinion of an independent certified public accountant, and notes to the financial statements considered customary or necessary to provide full disclosure and complete information regarding the provider's financial statements, financial condition, and operation.
 - (b) (reserved)
- (c) (1) "Cancel" means to destroy the force and effect of an agreement or continuing care contract.
- (2) "Cancellation period" means the 90-day period, beginning when the resident physically moves into the continuing care retirement community, during which the resident may cancel the continuing care contract, as provided in Section 1788.2.
- (3) "Care" means nursing, medical, or other health related services, protection or supervision, assistance with the personal activities of daily living, or any combination of those services.
- (4) "Cash equivalent" means certificates of deposit and United States treasury securities with a maturity of five years or less.
- 39 (5) "Certificate" or "certificate of authority" means the 40 certificate issued by the department, properly executed and bearing

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the State Seal, authorizing a specified provider to enter into one or more continuing care contracts at a single specified continuing care retirement community.

- (6) "Condition" means a restriction, specific action, or other requirement imposed by the department for the initial or continuing validity of a permit to accept deposits, a provisional certificate of authority, or a certificate of authority. A condition may limit the circumstances under which the provider may enter into any new deposit agreement or contract, or may be imposed as a condition precedent to the issuance of a permit to accept deposits, a provisional certificate of authority, or a certificate of authority.
- (7) "Consideration" means some right, interest, profit, or benefit paid, transferred, promised, or provided by one party to another as an inducement to contract. Consideration includes some forbearance, detriment, loss, or responsibility, that is given, suffered, or undertaken by a party as an inducement to another party to contract.
- (8) "Continuing care contract" means a contract that includes a continuing care promise made, in exchange for an entrance fee, the payment of periodic charges, or both types of payments. A continuing care contract may consist of one agreement or a series of agreements and other writings incorporated by reference.
- (9) "Continuing care advisory committee" means an advisory panel appointed pursuant to Section 1777.
- (10) "Continuing care at home" means a program offered by a provider or a multilevel retirement community that meets the exemption from the life care contract provisions pursuant to subdivision (b) of Section 1771.3, that furnishes one or more services to an elderly person in the elderly person's own private residence, including, but not limited to, meals, housekeeping, laundry, home maintenance, grounds maintenance, companionship, social activities, recreational activities, and referrals to other care providers.

(10)

(11) "Continuing care promise" means a promise, expressed or implied, by a provider to provide one or more elements of care to an elderly resident for the duration of his or her life or for a term in excess of one year. Any such promise or representation, whether part of a continuing care contract, other agreement, or series of

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agreements, or contained in any advertisement, brochure, or other
material, either written or oral, is a continuing care promise.

(11)

(12) "Continuing care retirement community" means a facility located within the State of California where services promised in a continuing care contract are provided. A distinct phase of development approved by the department may be considered to be the continuing care retirement community when a project is being developed in successive distinct phases over a period of time. When the services are provided in residents' own homes, the homes into which the provider takes those services are considered part of the continuing care retirement community.

(12)

- (13) "Control" means directing or causing the direction of the financial management or the policies of another entity, including an operator of a continuing care retirement community, whether by means of the controlling entity's ownership interest, contract, or any other involvement. A parent entity or sole member of an entity controls a subsidiary entity provider for a continuing care retirement community if its officers, directors, or agents directly participate in the management of the subsidiary entity or in the initiation or approval of policies that affect the continuing care retirement community's operations, including, but not limited to, approving budgets or the administrator for a continuing care retirement community.
- (d) (1) "Department" means the State Department of Social Services.
- (2) "Deposit" means any transfer of consideration, including a promise to transfer money or property, made by a depositor to any entity that promises or proposes to promise to provide continuing care, but is not authorized to enter into a continuing care contract with the potential depositor.
- (3) "Deposit agreement" means any agreement made between any entity accepting a deposit and a depositor. Deposit agreements for deposits received by an applicant prior to the department's release of funds from the deposit escrow account shall be subject to the requirements described in Section 1780.4.
- (4) "Depository" means a bank or institution that is a member of the Federal Deposit Insurance Corporation or a comparable deposit insurance program.

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(5) "Depositor" means any prospective resident who pays a deposit. Where any portion of the consideration transferred to an applicant as a deposit or to a provider as consideration for a continuing care contract is transferred by a person other than the prospective resident or a resident, that third-party transferor shall have the same cancellation or refund rights as the prospective resident or resident for whose benefit the consideration was transferred.

(6) "Director" means the Director of Social Services.

- (e) (1) "Elderly" means an individual who is 60 years of age or older.
- (2) "Entity" means an individual, partnership, corporation, limited liability company, and any other form for doing business. Entity includes a person, sole proprietorship, estate, trust, association, and joint venture.
- (3) "Entrance fee" means the sum of any initial, amortized, or deferred transfer of consideration made or promised to be made by, or on behalf of, a person entering into a continuing care contract for the purpose of assuring care or related services pursuant to that continuing care contract or as full or partial payment for the promise to provide care for the term of the continuing care contract. Entrance fee includes the purchase price of a condominium, cooperative, or other interest sold in connection with a promise of continuing care. An initial, amortized, or deferred transfer of consideration that is greater in value than 12 times the monthly care fee shall be presumed to be an entrance fee.
- (4) "Equity" means the value of real property in excess of the aggregate amount of all liabilities secured by the property.
- (5) "Equity interest" means an interest held by a resident in a continuing care retirement community that consists of either an ownership interest in any part of the continuing care retirement community property or a transferable membership that entitles the holder to reside at the continuing care retirement community.
- (6) "Equity project" means a continuing care retirement community where residents receive an equity interest in the continuing care retirement community property.
- (7) "Equity securities" shall refer generally to large and midcapitalization corporate stocks that are publicly traded and readily liquidated for cash, and shall include shares in mutual funds that hold portfolios consisting predominantly of these stocks and

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other qualifying assets, as defined by Section 1792.2. Equity securities shall also include other similar securities that are specifically approved by the department.

- (8) "Escrow agent" means a bank or institution, including, but not limited to, a title insurance company, approved by the department to hold and render accountings for deposits of cash or cash equivalents.
- (f) "Facility" means any place or accommodation where a provider provides or will provide a resident with care or related services, whether or not the place or accommodation is constructed, owned, leased, rented, or otherwise contracted for by the provider.
 - (g) (reserved)

- (h) (reserved)
- (i) (1) "Inactive certificate of authority" means a certificate that has been terminated under Section 1793.8.
 - (2) "Investment securities" means any of the following:
- (A) Direct obligations of the United States, including obligations issued or held in book-entry form on the books of the United States Department of the Treasury or obligations the timely payment of the principal of, and the interest on, which are fully guaranteed by the United States.
- (B) Obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following:
 - (i) The Federal Home Loan Bank System.
 - (ii) The Export-Import Bank of the United States.
 - (iii) The Federal Financing Bank.
 - (iv) The Government National Mortgage Association.
 - (v) The Farmer's Home Administration.
- 29 (vi) The Federal Home Loan Mortgage Corporation of the 30 Federal Housing Administration.
 - (vii) Any agency, department, or other instrumentality of the United States if the obligations are rated in one of the two highest rating categories of each rating agency rating those obligations.
 - (C) Bonds of the State of California or of any county, city and county, or city in this state, if rated in one of the two highest rating categories of each rating agency rating those bonds.
 - (D) Commercial paper of finance companies and banking institutions rated in one of the two highest categories of each rating agency rating those instruments.

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(E) Repurchase agreements fully secured by collateral security described in subparagraph (A) or (B), as evidenced by an opinion of counsel, if the collateral is held by the provider or a third party during the term of the repurchase agreement, pursuant to the terms of the agreement, subject to liens or claims of third parties, and has a market value, which is determined at least every 14 days, at least equal to the amount so invested.

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- (F) Long-term investment agreements, which have maturity dates in excess of one year, with financial institutions, including, but not limited to, banks and insurance companies or their affiliates, if the financial institution's paying ability for debt obligations or long-term claims or the paying ability of a related guarantor of the financial institution for these obligations or claims, is rated in one of the two highest rating categories of each rating agency rating those instruments, or if the short-term investment agreements are with the financial institution or the related guarantor of the financial institution, the long-term or short-term debt obligations, whichever is applicable, of which are rated in one of the two highest long-term or short-term rating categories, of each rating agency rating the bonds of the financial institution or the related guarantor, provided that if the rating falls below the two highest rating categories, the investment agreement shall allow the provider the option to replace the financial institution or the related guarantor of the financial institution or shall provide for the investment securities to be fully collateralized by investments described in subparagraph (A), and, provided further, if so collateralized, that the provider has a perfected first security lien on the collateral, as evidenced by an opinion of counsel and the collateral is held by the provider.
- (G) Banker's acceptances or certificates of deposit of, or time deposits in, any savings and loan association that meets any of the following criteria:
- (i) The debt obligations of the savings and loan association, or in the case of a principal bank, of the bank holding company, are rated in one of the two highest rating categories of each rating agency rating those instruments.
- (ii) The certificates of deposit or time deposits are fully insured by the Federal Deposit Insurance Corporation.
- (iii) The certificates of deposit or time deposits are secured at all times, in the manner and to the extent provided by law, by collateral security described in subparagraph (A) or (B) with a

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market value, valued at least quarterly, of no less than the original amount of moneys so invested.

- (H) Taxable money market government portfolios restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States.
- (I) Obligations the interest on which is excluded from gross income for federal income tax purposes and money market mutual funds whose portfolios are restricted to these obligations, if the obligations or mutual funds are rated in one of the two highest rating categories by each rating agency rating those obligations.
- (J) Bonds that are not issued by the United States or any federal agency, but that are listed on a national exchange and that are rated at least "A" by Moody's Investors Service, or the equivalent rating by Standard and Poor's Corporation or Fitch Investors Service.
- (K) Bonds not listed on a national exchange that are traded on an over-the-counter basis, and that are rated at least "Aa" by Moody's Investors Service or "AA" by Standard and Poor's Corporation or Fitch Investors Service.
 - (j) (reserved)
 - (k) (reserved)
- (1) "Life care contract" means a continuing care contract that includes a promise, expressed or implied, by a provider to provide or pay for routine services at all levels of care, including acute care and the services of physicians and surgeons, to the extent not covered by other public or private insurance benefits, to a resident for the duration of his or her life. Care shall be provided under a life care contract in a continuing care retirement community having a comprehensive continuum of care, including a skilled nursing facility, under the ownership and supervision of the provider on or adjacent to the premises. No change may be made in the monthly fee based on level of care. A life care contract shall also include provisions to subsidize residents who become financially unable to pay their monthly care fees.
- (m) (1) "Monthly care fee" means the fee charged to a resident in a continuing care contract on a monthly or other periodic basis for current accommodations and services including care, board, or lodging. Periodic entrance fee payments or other prepayments shall not be monthly care fees.
- (2) "Monthly fee contract" means a continuing care contract 40 that requires residents to pay monthly care fees.

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(n) "Nonambulatory person" means a person who is unable to leave a building unassisted under emergency conditions in the manner described by Section 13131.

(o) (reserved)

- (p) (1) "Per capita cost" means a continuing care retirement community's operating expenses, excluding depreciation, divided by the average number of residents.
- (2) "Periodic charges" means fees paid by a resident on a periodic basis.
- (3) "Permit to accept deposits" means a written authorization by the department permitting an applicant to enter into deposit agreements regarding a single specified continuing care retirement community.
- (4) "Prepaid contract" means a continuing care contract in which the monthly care fee, if any, may not be adjusted to cover the actual cost of care and services.
- (5) "Preferred access" means that residents who have previously occupied a residential living unit have a right over other persons to any assisted living or skilled nursing beds that are available at the community.
- (6) "Processing fee" means a payment to cover administrative costs of processing the application of a depositor or prospective resident.
- (7) "Promise to provide one or more elements of care" means any expressed or implied representation that one or more elements of care will be provided or will be available, such as by preferred access.
- (8) "Proposes" means a representation that an applicant or provider will or intends to make a future promise to provide care, including a promise that is subject to a condition, such as the construction of a continuing care retirement community or the acquisition of a certificate of authority.
- (9) "Provider" means an entity that provides continuing care, makes a continuing care promise, or proposes to promise to provide continuing care. "Provider" also includes any entity that controls an entity that provides continuing care, makes a continuing care promise, or proposes to promise to provide continuing care. The department shall determine whether an entity controls another entity for purposes of this article. No homeowner's association, cooperative, or condominium association may be a provider.

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(10) "Provisional certificate of authority" means the certificate issued by the department, properly executed and bearing the State Seal, under Section 1786. A provisional certificate of authority shall be limited to the specific continuing care retirement community and number of units identified in the applicant's application.

(q) (reserved)

- (r) (1) "Refund reserve" means the reserve a provider is required to maintain, as provided in Section 1792.6.
- (2) "Refundable contract" means a continuing care contract that includes a promise, expressed or implied, by the provider to pay an entrance fee refund or to repurchase the transferor's unit, membership, stock, or other interest in the continuing care retirement community when the promise to refund some or all of the initial entrance fee extends beyond the resident's sixth year of residency. Providers that enter into refundable contracts shall be subject to the refund reserve requirements of Section 1792.6. A continuing care contract that includes a promise to repay all or a portion of an entrance fee that is conditioned upon reoccupancy or resale of the unit previously occupied by the resident shall not be considered a refundable contract for purposes of the refund reserve requirements of Section 1792.6, provided that this conditional promise of repayment is not referred to by the applicant or provider as a "refund."
- (3) "Resale fee" means a levy by the provider against the proceeds from the sale of a transferor's equity interest.
- (4) "Reservation fee" refers to consideration collected by an entity that has made a continuing care promise or is proposing to make this promise and has complied with Section 1771.4.
- (5) "Resident" means a person who enters into a continuing care contract with a provider, or who is designated in a continuing care contract to be a person being provided or to be provided services, including care, board, or lodging.
- (6) "Residential care facility for the elderly" means a housing arrangement as defined by Section 1569.2.
- (7) "Residential living unit" means a living unit in a continuing care retirement community that is not used exclusively for assisted living services or nursing services.
 - (s) (reserved)

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(t) (1) "Termination" means the ending of a continuing care contract as provided for in the terms of the continuing care contract.

- (2) "Transfer trauma" means death, depression, or regressive behavior, that is caused by the abrupt and involuntary transfer of an elderly resident from one home to another and results from a loss of familiar physical environment, loss of well-known neighbors, attendants, nurses and medical personnel, the stress of an abrupt break in the small routines of daily life, or the loss of visits from friends and relatives who may be unable to reach the new facility.
- (3) "Transferor" means a person who transfers, or promises to transfer, consideration in exchange for care and related services under a continuing care contract or proposed continuing care contract, for the benefit of another. A transferor shall have the same rights to cancel and obtain a refund as the depositor under the deposit agreement or the resident under a continuing care contract.
- SEC. 3. Section 1793.62 is added to the Health and Safety Code, to read:
- 1793.62. (a) A provider of a continuing care at home program as defined in subdivision (k) of Section 1569.145 shall comply with all of the following:
- (1) The provider shall file an abbreviated application, including, but not limited to, feasibility information, for approval by the department.
- (2) The provider shall hold a certificate of authority issued by the department authorizing the program to enter into continuing care contracts.
- (3) The provider shall enter into a service agreement, approved by the department, with each of its clients. The service agreement shall include, but need not be limited to, provisions setting forth in all of the following:
 - (A) A description of the services to be provided.
- (B) The fees to be paid by the client, including, but not limited to, a description of, and the basis for, any potential increase in those fees.
- (C) The grounds for termination of the service agreement, and the grounds upon which the client may be transferred from the facility.
 - (D) The duration of the service agreement.

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(4) The provider shall transfer the client to an appropriate licensed health or care facility if the clients health or care needs exceed the provider's ability to provide needed services, or exceeds the provider's authorized scope of services.

- (b) A provider of a continuing care at home program as defined in subdivision (k) of Section 1569.145 may do all of the following:
- (1) Furnish one or more services to an elderly person in the elderly person's own private residence, including, but not limited to, meals, housekeeping, laundry, home maintenance, grounds maintenance, companionship, social activities, recreational activities, and referrals to other care providers.
- (2) Furnish, at the provider's discretion, additional services on the provider's campus, as appropriate. This paragraph does not authorize provision of services by an unlicensed person or in an unlicensed setting, if those services are otherwise required by law to be provided by a licensed person or in a licensed setting.
- (3) Furnish any services that would otherwise be deemed to be a basic service as defined in Section 1569.312, with care and supervision as defined in Section 1569.2 provided through an appropriately licensed third-party provider, if applicable.
- (4) Establish, at its discretion, within the private residence of the elderly person, a smoke detection system, a fire alarm, a fire suppression sprinkler system, a medical alert system, a system for routine inspections, and other safety features.
- (5) Provide or arrange for any of the following services within the private residence of the elderly person:
 - (A) Routine remote monitoring.
 - (B) Occasional assistance with bathing, dressing, or grooming.
- (C) Delivery of, and assistance with storage and administration of, prepackaged medications, for a mentally competent client.
- SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within

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- the meaning of Section 6 of Article XIII B of the California Constitution.